



WHITE PAPER

How to successfully master EU-Taxonomy **Requirements, approach & solutions**



www.waves-sustainability.com

What is the EU-Taxonomy and who does it concern?

As part of the „European Green Deal“, the EU Delegated Act (2020/852/EU), also called „EU-Taxonomy“, provides a clear framework for the definition of which economic activities within a company can be classified as sustainable.

The EU-Taxonomy regulation defines the **criteria, which assess the economic activities of a company** according to their **degree of sustainability**.

In order to enable a comparable assessment, the EU provides a classification into **6 different environmental objectives**. The business activities of a company must contribute to at least one of these objectives to be classified as sustainable.



EU CLASSIFICATION OF 6 ENVIRONMENTAL OBJECTIVES

1

Climate Change Mitigation

2

Climate Change Adaptation

3

Sustainable Use and Protection of Water and Marine Resources

4

Transition to a Circular Economy

5

Pollution Prevention & Control

6

Protection and Restoration of Biodiversity and Ecosystems

GOALS OF THE EU-TAXONOMY

The EU-Taxonomy has the following objectives:

1. RE-ORIENTATION OF CAPITAL FLOWS TOWARDS SUSTAINABLE INVESTMENTS

2. ESTABLISHING SUSTAINABILITY AS AN ELEMENT OF RISK MANAGEMENT

3. PROMOTING LONG-TERM INVESTMENT AND ECONOMIC ACTIVITY

ALIGNMENT OF ECONOMIC ACTIVITIES

An **economic activity is compliant** with the EU-Taxonomy under the provision that...

... it makes a significant **contribution to at least one of the environmental objectives**



... it does **no significant harm** to any of the other environmental objectives

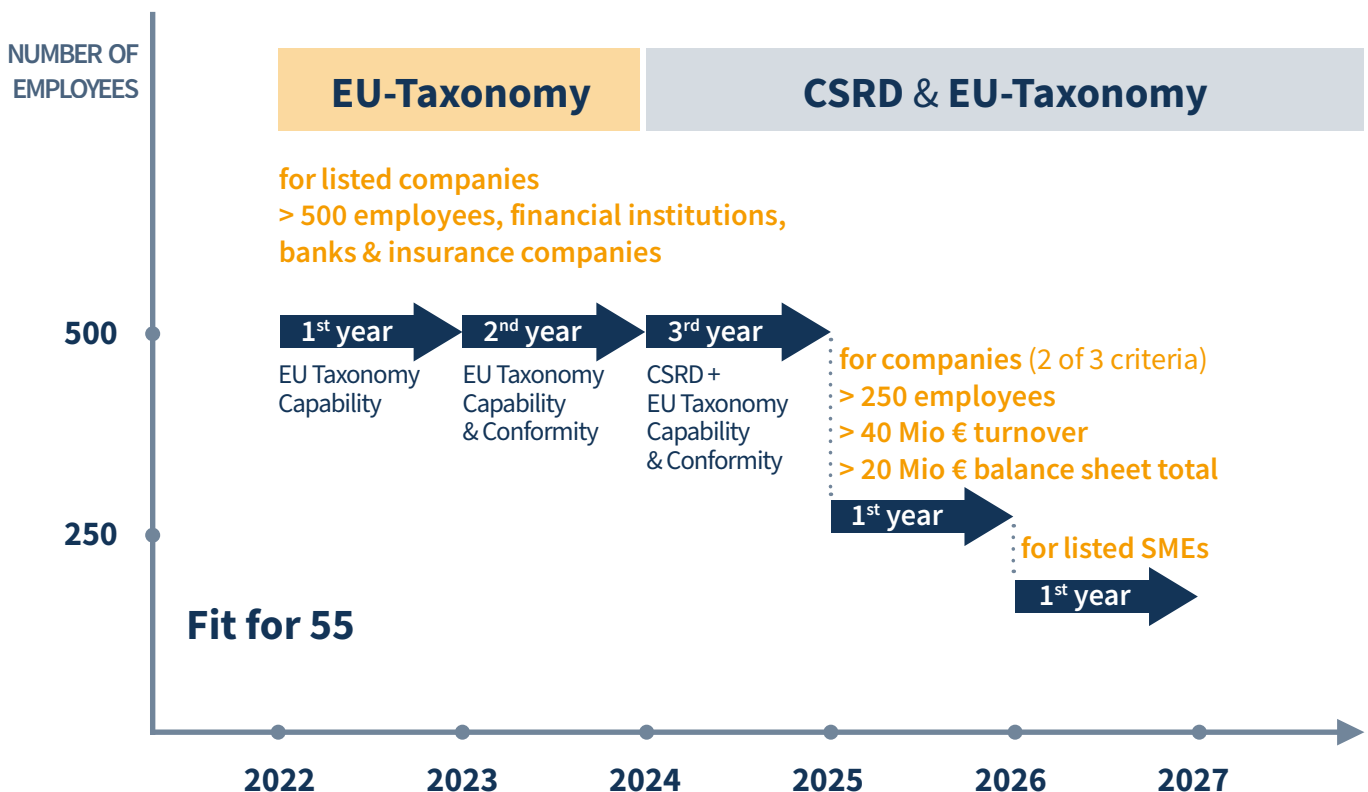


... it respects **minimum safeguards for labour and human rights**

EUROPEAN COMPANIES HAVE TO TAKE ACTION NOW

From 2024, the EU-Taxonomy will be extended by the „**Corporate Sustainability Reporting Directive**“ (CSRD), which will replace the previous Non-Financial Reporting Directive (NFRD).

The aim is to enable the financial sector to finance sustainability initiatives through better transparency and thereby increase the share of investments and loans in demonstrably sustainable projects and companies. At the same time, companies from the real economy will be obliged to provide reliable sustainability indicators and to report on as many proven sustainable economic activities as possible.











COMPANIES ARE UNDER IMMENSE PRESSURE TO ACT

“

Anyone who has not opted for sustainability by the end of 2028 will jeopardise their competitiveness!

OVERVIEW OF NEW REGULATIONS, STANDARDS AND THEIR EFFECTS

REGULATION	TARGET AUDIENCE	EFFECTS
 Corporate Sustainability Reporting Directive (CSRD) 	Companies >250 employees	Obligation to include ESG topics in the management report. Refers to ESRS.
 European Sustainability Reporting Standards (ESRS)	Companies >250 employees	Calculation and reporting of a large number of sustainability key indicators.
 Sustainable Finance Disclosure Regulation (SFDR)	EU financial market participants (indirectly affects all other companies) (2021-2023)	Investors and financial institutions must indicate how „green“ their portfolio is (Green Asset Ratio).
 EU-Taxonomy	Listed companies (2022), Companies with >250 employees (2024)	Reporting obligation for the sustainable part of the turnover, CapEx and OpEx. Rating of own business activities.
 EU Supply Chain Law	EU companies >250 employees (2024)	Rating of all suppliers of the companies with regard to ecological and social aspects.

Source: EU / IFRS

EU-TAXONOMY REPORTING PROCEDURE

To rate the degree of compliance with the EU-Taxonomy, companies must disclose the **parts of their turnover**, capital expenditure (**CapEx**) and operating expenditure (**OpEx**) related to their economic activities that are classified as sustainable according to the EU-Taxonomy rating criteria. The aim should be to identify as many sustainable activities as possible in order to positively influence the taxonomy rating.



Revenue

Percentage of a company's turnover with products and services that mitigate climate change.



CapEx

Percentage of a company's capital investment that would enable it to become more sustainable.



OpEx

Percentage of a company's operating expenses that is geared towards a low-carbon economy.

THE EU-TAXONOMY RATING IS DONE IN SEVERAL STEPS

1 IDENTIFICATION OF ECONOMIC ACTIVITIES ACCORDING TO THEIR TAXONOMY ELIGIBILITY.

2 CLASSIFICATION OF ACTIVITIES BY ASSESSING THE TAXONOMY ELIGIBILITY ON THE BASIS OF THE SPECIFIED TEST CRITERIA

3 MATERIALITY ASSESSMENT OF THE ACTIVITIES WITH REGARD TO THEIR CONTRIBUTION TO ONE OF THE ENVIRONMENTAL OBJECTIVES

4 CHECKING THE ACTIVITIES AGAINST THE „DO NO SIGNIFICANT HARM“ (DNSH) REQUIREMENTS

5 AUDIT OF ACTIVITIES IN RELATION TO COMPLIANCE WITH THE MINIMUM SAFEGUARDS

6 DEFINITION OF TURNOVER, CAPEX AND OPEX

7 REPORTING ON EU-TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

EU-Taxonomy simplified

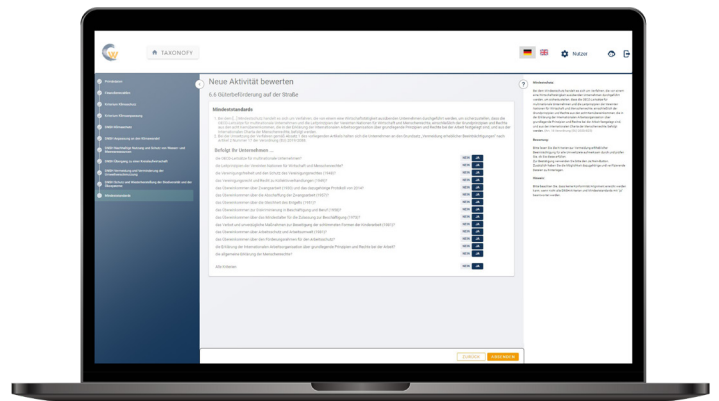
WAVES helps companies to generate reliable taxonomy reports and calculate their taxonomy rating.

DISCOVER TAXONOFY

With **TAXONOFY**, companies can assess the degree of **sustainability in their economic activities** according to turnover, capital- and operating expenses and **in compliance with the EU-Taxonomy guidelines**.

The results can be used as a starting point to continuously improve a company's taxonomy rating, to measure its sustainability contribution at the push of a button and to always be on the safe side in terms of compliance.

An interface to other WAVES products on the Sustainability Management Platform offers additional possibilities for the holistic calculation and presentation of key figures for an active steering of a company in the direction of sustainability.



ADVANTAGES OF USING TAXONOFY

- ✓ **BYE-BYE COMPLEXITY. SIMPLE STEP-BY-STEP GUIDE TO CREATING A TAXONOMY REPORT**
- ✓ **HIGHLY REDUCED ERROR PROBABILITY DURING DATA ENTRY COMPARED TO EXCEL**
- ✓ **MASSIVE COST SAVINGS COMPARED TO THE WORK OF AN AUDITOR**
- ✓ **VIRTUAL ASSISTANTS WITH HELPFUL ADDITIONAL INFORMATION, LINKS AND CROSS-REFERENCES**
- ✓ **UP TO 70% TIME SAVING COMPARED TO EXCEL (NO EXPERT KNOWLEDGE NEEDED, NO READING OF COMPLEX LEGISLATION PAPERS NECESSARY)**
- ✓ **NO WORRIES ABOUT COMPLIANCE: ALL CHANGES TO EU LEGAL REQUIREMENTS WILL BE UPDATED AND ADAPTED IN THE SOFTWARE WITH NO DELAY**

**Do you have questions about EU-Taxonomy or TAXONOFY?
We look forward to hearing from you!**

WAVES S.à r.l.

9, rue du Laboratoire
L-1911 Luxembourg

email: info@waves.lu

web: www.waves-sustainability.com

